

**EMMET COUNTY**  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2009

# EMMET COUNTY

## TABLE OF CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2 - 3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	4
Statement of Activities .....	5
Governmental Fund Financial Statements:	
Balance Sheet .....	6
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities .....	9
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	10
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	11
Statement of Cash Flows .....	12
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities - Agency Funds .....	13
Notes to Financial Statements .....	14 - 25
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds .....	26 - 27
Budgetary Comparison Schedule - Budget to GAAP Reconciliation .....	28
Notes to Required Supplementary Information - Budgetary Reporting .....	29
	<u>Schedule</u>
Other Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	1      30 - 31
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	2      32 - 33
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities .....	3      34 - 36
Combining Schedule of Changes in Fiduciary Assets and Liabilities .....	4      37 - 39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds .....	5      40
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	41 - 42
Schedule of Findings .....	43 - 45

## EMMET COUNTY

### OFFICIALS

(Before January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Jenson	Board of Supervisors	January 2011
Ron Smith	Board of Supervisors	January 2011
Roger Anderson	Board of Supervisors	January 2009
Alan Madden	Board of Supervisors	January 2009
Randy Beaver	Board of Supervisors	January 2009
Beverly Juhl	County Auditor	January 2009
Vickie Jurrens	County Treasurer	January 2011
Sue Snyder	County Recorder	January 2011
Larry Lamack	County Sheriff	January 2009
Doug Hansen	County Attorney	January 2011
Jill Burgeson	County Assessor	January 2010

(After January 2009)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Jenson	Board of Supervisors	January 2011
Ron Smith	Board of Supervisors	January 2011
Beverly Juhl	Board of Supervisors	January 2013
Alan Madden	Board of Supervisors	January 2013
Randy Beaver	Board of Supervisors	January 2013
Michele Erickson	County Auditor	January 2013
Vickie Jurrens	County Treasurer	January 2011
Sue Snyder	County Recorder	January 2011
Mike Martens	County Sheriff	January 2013
Doug Hansen	County Attorney	January 2011
Jill Burgeson	County Assessor	January 2010

**WINTHER, STAVE & CO., LLP**  
*Certified Public Accountants*

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FAX 712-262-3159

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Milford, Iowa 51351  
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FAX 712-338-2510

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INDEPENDENT AUDITORS' REPORT

To the Officials of Emmet County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Emmet County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010 on our consideration of Emmet County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 26 through 29 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emmet County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wenther, Steve HC ZHP*

January 11, 2010

EMMET COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

Governmental  
Activities

ASSETS

Cash and pooled investments .....	\$ 2,618,718
Receivables:	
Property tax:	
Succeeding year .....	3,739,603
Accounts .....	34,234
Accrued interest .....	2,254
Notes and contracts .....	48,000
Due from other governments .....	285,893
Inventories .....	381,780
Prepaid insurance .....	53,034
Capital assets - net of accumulated depreciation .....	<u>8,975,772</u>
 TOTAL ASSETS	 <u>16,139,288</u>

LIABILITIES

Accounts payable .....	161,625
Salaries and benefits payable .....	20,698
Due to other governments .....	128,916
Deferred revenue:	
Succeeding year property tax .....	3,739,603
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements .....	46,059
General obligation notes .....	24,300
Compensated absences .....	240,063
Portion due or payable after one year:	
Capital lease purchase agreements .....	62,905
General obligation notes .....	<u>196,994</u>
 TOTAL LIABILITIES	 <u>4,621,163</u>

NET ASSETS

Invested in capital assets - net of related debt .....	8,645,514
Restricted for:	
Supplemental levy purposes .....	219,656
Mental health purposes .....	443,549
Secondary roads purposes .....	1,075,415
Other purposes .....	344,548
Unrestricted .....	<u>789,443</u>
 TOTAL NET ASSETS	 <u>\$11,518,125</u>

EMMET COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	<u>Expenses</u>	<u>Service</u>			
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services .....	\$1,396,358				\$ (1,396,358)
Physical health and social services .....	642,698				(642,698)
Mental health .....	1,497,420				(1,497,420)
County environment and education .....	478,119				(478,119)
Roads and transportation .....	2,501,356		\$1,508,612	\$1,550,856	558,112
Governmental services to residents .....	368,543				(368,543)
Administration .....	882,018	\$314,551			(567,467)
Interest on long-term debt .....	<u>48,640</u>				<u>(48,640)</u>
TOTAL	<u>\$7,815,152</u>	<u>\$314,551</u>	<u>\$1,508,612</u>	<u>\$1,550,856</u>	<u>(4,441,133)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes .....					3,667,656
Interest and penalty on property tax .....					26,701
State tax credits .....					252,136
Grants and contributions not restricted to specific purpose .....					1,499,160
Unrestricted investment earnings .....					70,171
Miscellaneous .....					<u>139,619</u>
TOTAL GENERAL REVENUES					<u>5,655,443</u>
Change in net assets .....					1,214,310
Net assets - beginning of year .....					<u>10,303,815</u>
NET ASSETS - END OF YEAR					<u>\$11,518,125</u>

EMMET COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

ASSETS

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Cash and pooled investments .....	\$ 781,560	\$ 588,282	\$ 208,539	\$ 740,275	\$297,018	\$2,615,674
Receivables:						
Property tax:						
Succeeding year .....	2,226,055	702,081	811,467			3,739,603
Accounts .....	30,242			3,992		34,234
Accrued interest .....	2,177				77	2,254
Notes and contracts .....					48,000	48,000
Due from other governments .....	132,768	18,420	10,568	122,969	1,168	285,893
Inventories .....				381,780		381,780
Prepaid insurance .....	24,259			28,775		53,034
 TOTAL ASSETS	 <u>\$3,197,061</u>	 <u>\$1,308,783</u>	 <u>\$1,030,574</u>	 <u>\$1,277,791</u>	 <u>\$346,263</u>	 <u>\$7,160,472</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:						
Accounts payable .....	\$ 40,877	\$ 34,237	\$ 643	\$ 84,153	\$ 1,715	\$ 161,625
Salaries and benefits payable .....	8,416			12,282		20,698
Due to other governments .....		128,916				128,916
Deferred revenue:						
Succeeding year property tax .....	2,226,055	702,081	811,467			3,739,603
Other .....					48,000	48,000
TOTAL LIABILITIES	<u>2,275,348</u>	<u>865,234</u>	<u>812,110</u>	<u>96,435</u>	<u>49,715</u>	<u>4,098,842</u>
FUND BALANCES:						
Reserved for:						
Supplemental levy purposes .....	219,656					219,656
Unreserved, reported in:						
General fund .....	702,057					702,057
Special revenue funds .....		443,549	218,464	1,181,356	296,548	2,139,917
TOTAL FUND BALANCES	<u>921,713</u>	<u>443,549</u>	<u>218,464</u>	<u>1,181,356</u>	<u>296,548</u>	<u>3,061,630</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$3,197,061</u>	 <u>\$1,308,783</u>	 <u>\$1,030,574</u>	 <u>\$1,277,791</u>	 <u>\$346,263</u>	 <u>\$7,160,472</u>



EMMET COUNTY  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

Total governmental fund balances (page 6) .....	\$ 3,061,630
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,722,524 and the accumulated depreciation is \$6,746,752. ....	8,975,772
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. ....	48,000
The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. ....	3,044
Long-term liabilities, including capital lease purchase agreements, notes payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. ....	<u>(570,321)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 4)	<u>\$11,518,125</u>

EMMET COUNTY,  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
REVENUES:						
Property and other county tax .....	\$2,098,854	\$ 774,289	\$806,741			\$3,679,884
Interest and penalty on property tax .....	25,894					25,894
Intergovernmental .....	687,570	968,280	41,390	\$1,532,081	\$ 30,587	3,259,908
Licenses and permits .....	4,227			4,965		9,192
Charges for service .....	302,517				6,184	308,701
Use of money and property .....	74,623				877	75,500
Miscellaneous .....	<u>79,029</u>	<u>4,130</u>		<u>86,073</u>	<u>73,519</u>	<u>242,751</u>
TOTAL REVENUES	<u>3,272,714</u>	<u>1,746,699</u>	<u>848,131</u>	<u>1,623,119</u>	<u>111,167</u>	<u>7,601,830</u>
EXPENDITURES:						
Operating:						
Public safety and legal services .....	1,213,045		170,806			1,383,851
Physical health and social services .....	636,458					636,458
Mental health .....		1,489,962				1,489,962
County environment and education .....	270,160		45,567		159,321	475,048
Roads and transportation .....				2,535,537		2,535,537
Governmental services to residents .....	362,959					362,959
Administration .....	850,469		59			850,528
Capital projects .....				<u>59,996</u>	<u>9,984</u>	<u>69,980</u>
TOTAL EXPENDITURES	<u>3,333,091</u>	<u>1,489,962</u>	<u>216,432</u>	<u>2,595,533</u>	<u>169,305</u>	<u>7,804,323</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,377)	256,737	631,699	(972,414)	(58,138)	(202,493)
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out) .....			(613,084)	613,084		
TOTAL OTHER FINANCING SOURCES (USES)			(613,084)	613,084		
NET CHANGE IN FUND BALANCES	(60,377)	256,737	18,615	(359,330)	(58,138)	(202,493)
FUND BALANCES - BEGINNING OF YEAR	<u>982,090</u>	<u>186,812</u>	<u>199,849</u>	<u>1,540,686</u>	<u>354,686</u>	<u>3,264,123</u>
FUND BALANCES - END OF YEAR	<u>\$ 921,713</u>	<u>\$ 443,549</u>	<u>\$218,464</u>	<u>\$1,181,356</u>	<u>\$296,548</u>	<u>\$3,061,630</u>

EMMET COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 8) ..... \$ (202,493)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets .....	\$ 668,419	
Capital assets contributed by the Iowa Department of Transportation .....	1,550,856	
Loss on disposition of capital assets .....	(158,832)	
Depreciation expense .....	<u>(577,101)</u>	1,483,342

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax .....	(11,421)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. For the current year, debt issued exceeded repayments as follows:

Issued .....	(73,821)	
Repaid .....	<u>70,808</u>	(3,013)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences .....	(7,071)
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The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.....

(45,034)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 5) ..... \$ 1,214,310

EMMET COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	<u>Internal Service</u>
	<u>Health Insurance</u>
ASSETS	
Cash and pooled investments .....	\$ <u>3,044</u>
NET ASSETS	\$ <u><u>3,044</u></u>

EMMET COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	<u>Internal Service</u>
	<u>Health Insurance</u>
OPERATING REVENUES:	
Reimbursements from operating funds .....	\$ 427,665
Reimbursements from employees .....	<u>244,067</u>
TOTAL OPERATING REVENUES	<u>671,732</u>
OPERATING EXPENSES:	
Insurance premiums and fees .....	<u>717,286</u>
TOTAL OPERATING EXPENSES	<u>717,286</u>
OPERATING INCOME (LOSS)	(45,554)
NONOPERATING REVENUES:	
Interest income .....	<u>521</u>
CHANGE IN NET ASSETS	(45,033)
NET ASSETS - BEGINNING OF YEAR .....	<u>48,077</u>
NET ASSETS - END OF YEAR	<u>\$ 3,044</u>

EMMET COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	<u>Internal Service</u>
	<u>Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operating fund reimbursements .....	\$ 427,665
Cash received from employees and others .....	244,067
Cash payments for premiums, fees, and other .....	<u>(717,286)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(45,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest .....	<u>521</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>521</u>
NET CHANGE IN CASH	(45,033)
CASH AT BEGINNING OF YEAR .....	<u>48,077</u>
CASH AT END OF YEAR	<u>\$ 3,044</u>
RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income (loss) .....	\$ (45,554)
Adjustments to reconcile operating income to net cash used by operating activities:	
None .....	<u>          </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (45,554)</u>

EMMET COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2009

ASSETS

Cash and pooled investments:	
County Treasurer .....	\$ 840,706
Other County officials .....	23,485
Accounts receivable .....	20,229
Property tax receivable:	
Succeeding year .....	<u>10,188,421</u>
TOTAL ASSETS	<u>11,072,841</u>

LIABILITIES

Due to other governments .....	11,056,839
Trusts payable .....	<u>16,002</u>
TOTAL LIABILITIES	<u>11,072,841</u>

NET ASSETS	<u>\$</u>
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EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Emmet County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

For financial reporting purposes, Emmet County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Emmet County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred sixty-five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Emmet County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Emmet County Auditor's office.



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Emmet County Assessor's Conference Board, Emmet County Emergency Management Commission, Emmet County Joint E911 Service Board, and Emmet County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

**Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Presentation - Continued**

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

**Proprietary Fund** - An internal service fund is utilized to account for the financing of services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

**Fiduciary Funds** - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting - Continued**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are reimbursements from operating funds and employees. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

The County has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

**Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

For purposes of the statement of cash flows, the County considers as cash all currency on hand and demand deposits and certificates of deposit with banks or other financial institutions.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board Supervisors. Delinquent property taxes receivable representing unpaid taxes for the current and prior years are not considered material to the financial statements. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2007 assessed property valuations, is for the tax accrual period July 1, 2008 through June 30, 2009, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 65,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings and improvements	25 - 50
Infrastructure	10 - 60
Equipment	3 - 20
Vehicles	5 - 15

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the statement of net assets includes succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Assets, Liabilities and Fund Equity - Continued**

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**2. CASH AND POOLED INVESTMENTS**

The County's deposits in banks at June 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$704,849 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in IPAIT is unrated.

Interest Rate Risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer of prime bankers acceptances, commercial paper, or other short-term corporate debt.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**3. INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 613,084

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land .....	\$ 156,869			\$ 156,869
Construction in progress .....	<u>214,708</u>	<u>\$1,571,854</u>	<u>\$(214,708)</u>	<u>1,571,854</u>
Total capital assets not being depreciated	<u>371,577</u>	<u>1,571,854</u>	<u>(214,708)</u>	<u>1,728,723</u>
Capital assets being depreciated:				
Buildings .....	2,901,309	12,913	(118,142)	2,796,080
Machinery and equipment .....	5,357,209	670,712	(329,914)	5,698,007
Infrastructure, road network .....	4,674,931	178,503		4,853,434
Other .....	<u>646,280</u>			<u>646,280</u>
Total capital assets being depreciated	<u>13,579,729</u>	<u>862,128</u>	<u>(448,056)</u>	<u>13,993,801</u>
Less accumulated depreciation for:				
Buildings .....	1,329,783	74,176		1,403,959
Machinery and equipment .....	4,414,936	379,290	(289,224)	4,505,002
Infrastructure, road network .....	147,144	119,105		266,249
Other .....	<u>567,012</u>	<u>4,530</u>		<u>571,542</u>
Total accumulated depreciation	<u>6,458,875</u>	<u>577,101</u>	<u>(289,224)</u>	<u>6,746,752</u>
Total capital assets being depreciated - net	<u>7,120,854</u>	<u>285,027</u>	<u>(158,832)</u>	<u>7,247,049</u>
Governmental activities capital assets - net	<u>\$ 7,492,431</u>	<u>\$1,856,881</u>	<u>\$(373,540)</u>	<u>\$ 8,975,772</u>

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
Public safety and legal services .....	\$ 53,026
Mental health .....	5,613
County environment and education .....	38,876
Roads and transportation .....	333,976
Administration .....	<u>145,610</u>
Total depreciation expense - governmental activities	<u>\$ 577,101</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**5. DUE TO OTHER GOVERNMENTS**

The County purchases services from other governmental units and also acts as a fee and tax collection agency for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 128,916
<b>TOTAL FOR GOVERNMENTAL FUNDS</b>		<b>\$ 128,916</b>
Agency:		
Agricultural Extension Education	Collections	\$ 119,741
County Assessor	Collections	285,098
Schools	Collections	6,768,796
Community Colleges	Collections	310,464
Corporations	Collections	2,744,634
Townships and Fire Districts	Collections	152,657
Auto License and Use Tax	Collections	208,075
E-911 Surcharge	Collections	356,597
Empowerment Funds	Collections	53,055
All others	Collections	<u>57,722</u>
<b>TOTAL FOR AGENCY FUNDS</b>		<b>\$11,056,839</b>

**6. CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Loans and Contract Payable</u>	<u>Capital Lease Purchase Agreements</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - beginning of year .....	\$292,102	\$ 35,143	\$232,992	\$560,237
Increases .....		73,821	7,071	80,892
Decreases .....	<u>(70,808)</u>	<u>          </u>	<u>          </u>	<u>(70,808)</u>
Balance - end of year	<u>\$221,294</u>	<u>\$108,964</u>	<u>\$240,063</u>	<u>\$570,321</u>
Due within one year	<u>\$ 24,300</u>	<u>\$ 46,059</u>	<u>\$240,063</u>	<u>\$310,422</u>



EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**6. CHANGES IN LONG-TERM LIABILITIES - Continued**

**Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease two copy machines and two phone systems with a total historical cost of \$174,029. The following is a schedule of future minimum lease payments, including interest ranging from 1.5% to 8.797% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009.

<u>June 30,</u>	<u>Amount</u>
2010 .....	\$ 46,059
2011 .....	41,058
2012 .....	<u>32,367</u>
Total minimum lease payments	119,484
Less amount representing interest .....	<u>(10,520)</u>
 Present value of net minimum lease payments	 <u>\$108,964</u>

Payments under capital lease purchase agreements for the year ended June 30, 2009 totaled \$48,640.

**Loans and Contract Payable**

The County has a non-interest bearing loan with the State of Iowa in the amount of \$76,500 for culvert repair due to flood damage. Annual principal payments of \$15,300 began in fiscal year 2007. The loan balance at June 30, 2009 was \$30,600.

The County also has a non-interest bearing contract for \$90,592 for the purchase of gravel and mineral rights. Required annual payments are \$9,000 per year through 2013, with a final payment of \$9,592 in 2014. The outstanding contract balance at June 30, 2009 was \$45,592.

The Emmet County Conservation Board has a \$500,000 line of credit with a local financial institution for the construction of a nature center. The interest rate is variable (5.25% at June 30, 2009), payable annually, and there are no required principal payments. The line of credit matures in July 2012 and has been guaranteed by the County Board of Supervisors. The outstanding loan balance at June 30, 2009 was \$145,102. No additional advances on the line of credit are expected.

Maturities required as of June 30, 2009 are as follows:

2010 .....	\$ 24,300
2011 .....	24,300
2012 .....	9,000
2013 .....	9,000
2014 .....	9,592
Undetermined .....	<u>145,102</u>
 Total	 <u>\$221,294</u>

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**7. PENSION AND RETIREMENT BENEFITS**

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$203,434, \$182,889, and \$171,851, respectively, equal to the required contributions for each year.

**8. OPERATING LEASES**

The County has entered into noncancelable agreements to lease office space. The leases require monthly lease payments of \$1,691 and \$500 and expire in September 2010 and June 2010, respectively. The County has also entered into operating lease agreements for office equipment. The leases require monthly lease payments ranging from \$174 to \$522 and expire from June 2011 to May 2013.

The following is a schedule of the future minimum lease payments under these agreements at June 30, 2009:

<u>June 30,</u>	<u>Amount</u>
2010 .....	\$ 39,010
2011 .....	17,791
2012 .....	9,898
2013 .....	<u>5,406</u>
 TOTAL	 <u>\$ 72,105</u>

Total rent expense for the year ended June 30, 2009 was \$39,010.

**9. RISK MANAGEMENT**

Emmet County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EMMET COUNTY  
NOTES TO FINANCIAL STATEMENTS - Continued

**10. CONSTRUCTION COMMITMENTS**

The County has entered into contracts totaling approximately \$3,800,000 for traffic markings, road overlay, and road resurfacing projects. As of June 30, 2009, costs of approximately \$1,600,000 have been incurred. The balance remaining on the contracts of approximately \$2,200,000 will be paid as work on the projects progresses.

## REQUIRED SUPPLEMENTARY INFORMATION

EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2009

	<u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:		
Property and other county tax .....	\$3,658,748	
Interest and penalty on property tax .....	25,894	
Intergovernmental .....	3,145,527	
Licenses and permits .....	8,822	
Charges for service .....	307,665	
Use of money and property .....	78,265	
Miscellaneous .....	<u>219,479</u>	<u>\$ 63,385</u>
TOTAL RECEIPTS	<u>7,444,400</u>	<u>63,385</u>
DISBURSEMENTS:		
Public safety and legal services .....	1,411,479	
Physical health and social services .....	635,622	
Mental health .....	1,531,956	
County environment and education .....	473,248	128,473
Roads and transportation .....	2,448,197	
Governmental services to residents .....	361,909	
Administration .....	860,016	
Debt service .....	15,300	
Capital projects .....	<u>53,034</u>	
TOTAL DISBURSEMENTS	<u>7,790,761</u>	<u>128,473</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(346,361)	(65,088)
OTHER FINANCING SOURCES - NET .....	_____	_____
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	(346,361)	(65,088)
BALANCE - BEGINNING OF YEAR .....	<u>2,962,035</u>	<u>157,702</u>
BALANCE - END OF YEAR	<u>\$2,615,674</u>	<u>\$ 92,614</u>

Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
\$3,658,748	\$3,585,265	\$3,629,265	\$ 29,483
25,894	15,750	15,750	10,144
3,145,527	3,136,810	3,136,810	8,717
8,822	7,500	7,500	1,322
307,665	298,576	298,576	9,089
78,265	167,536	167,536	(89,271)
156,094	372,972	381,247	(225,153)
<u>7,381,015</u>	<u>7,584,409</u>	<u>7,636,684</u>	<u>(255,669)</u>
1,411,479	1,493,037	1,515,867	104,388
635,622	689,794	689,794	54,172
1,531,956	1,712,721	1,712,721	180,765
344,775	428,820	428,820	84,045
2,448,197	2,776,132	2,776,132	327,935
361,909	381,371	381,371	19,462
860,016	974,030	997,530	137,514
15,300	15,300	15,300	
53,034	267,210	267,210	214,176
<u>7,662,288</u>	<u>8,738,415</u>	<u>8,784,745</u>	<u>1,122,457</u>
(281,273)	(1,154,006)	(1,148,061)	866,788
<u>          </u>	<u>2,000</u>	<u>2,000</u>	<u>(2,000)</u>
(281,273)	(1,152,006)	(1,146,061)	<u>\$864,788</u>
<u>2,804,333</u>	<u>2,020,692</u>	<u>2,020,692</u>	
<u>\$2,523,060</u>	<u>\$ 868,686</u>	<u>\$ 874,631</u>	

EMMET COUNTY  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2009

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues .....	\$7,444,400	\$ 157,430	\$7,601,830
Expenditures .....	<u>7,790,761</u>	<u>13,562</u>	<u>7,804,323</u>
Net	(346,361)	143,868	(202,493)
Beginning fund balances .....	<u>2,962,035</u>	<u>302,088</u>	<u>3,264,123</u>
ENDING FUND BALANCE	<u>\$2,615,674</u>	<u>\$ 445,956</u>	<u>\$3,061,630</u>

EMMET COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$46,330. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.



## OTHER SUPPLEMENTARY INFORMATION

EMMET COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

ASSETS

	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>
Cash and pooled investments .....	\$ 51,608	\$ 13,117
Receivables:		
Accrued interest .....	55	14
Notes and contracts .....		
Drainage assessments .....		
Due from other governments .....	<u>          </u>	<u>1,168</u>
 TOTAL ASSETS	 <u>\$ 51,663</u>	 <u>\$ 14,299</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:		
Accounts payable .....		
Deferred revenue:		
Other .....	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>          </u>	<u>          </u>
 FUND BALANCES:		
Unreserved .....	<u>\$ 51,663</u>	<u>\$ 14,299</u>
TOTAL FUND BALANCES	<u>51,663</u>	<u>14,299</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 51,663</u>	 <u>\$ 14,299</u>

## Schedule 1

<u>Special Revenue</u>			
<u>Conservation Land Acquisition Trust</u>	<u>Revolving Loan</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 14,951	\$124,728	\$ 92,614	\$297,018
8	48,000		77 48,000
			1,168
<u>\$ 14,959</u>	<u>\$172,728</u>	<u>\$ 92,614</u>	<u>\$346,263</u>
		\$ 1,715	\$ 1,715
	<u>\$ 48,000</u>		<u>48,000</u>
	<u>48,000</u>	<u>1,715</u>	<u>49,715</u>
<u>\$ 14,959</u>	<u>124,728</u>	<u>90,899</u>	<u>296,548</u>
<u>14,959</u>	<u>124,728</u>	<u>90,899</u>	<u>296,548</u>
<u>\$ 14,959</u>	<u>\$172,728</u>	<u>\$ 92,614</u>	<u>\$346,263</u>

EMMET COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	<u>Resource Enhancement and Protection</u>	<u>Recorder's Records Management</u>	<u>Conservation Land Acquisition Trust</u>
REVENUES:			
Intergovernmental .....	\$ 30,587		
Charges for service .....		\$ 6,184	
Use of money and property .....	603	148	\$ 126
Miscellaneous .....			8,634
TOTAL REVENUES	<u>31,190</u>	<u>6,332</u>	<u>8,760</u>
EXPENDITURES:			
Operating:			
County environment and education .....	25,206		
Capital projects .....			9,984
TOTAL EXPENDITURES	<u>25,206</u>		<u>9,984</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,984	6,332	(1,224)
FUND BALANCES - BEGINNING OF YEAR	<u>45,679</u>	<u>7,967</u>	<u>16,183</u>
FUND BALANCES - END OF YEAR	<u>\$ 51,663</u>	<u>\$ 14,299</u>	<u>\$ 14,959</u>

Schedule 2

Special Revenue		
-----------------	--	--

<u>Revolving Loan</u>	<u>Drainage Districts</u>	<u>Total</u>
		\$ 30,587
		6,184
		877
\$ 1,500	\$ 63,385	73,519
<u>1,500</u>	<u>63,385</u>	<u>111,167</u>
5,000	129,115	159,321
		9,984
<u>5,000</u>	<u>129,115</u>	<u>169,305</u>
(3,500)	(65,730)	(58,138)
<u>128,228</u>	<u>156,629</u>	<u>354,686</u>
<u>\$124,728</u>	<u>\$ 90,899</u>	<u>\$296,548</u>

EMMET COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2009

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
<b>ASSETS</b>			
Cash and pooled investments:			
County Treasurer .....		\$ 1,721	\$ 60,291
Other County officials .....	\$ 23,485		
Accounts receivable .....			
Property tax receivable:			
Succeeding year .....	_____	<u>118,020</u>	<u>224,807</u>
 TOTAL ASSETS	 <u>\$ 23,485</u>	 <u>\$119,741</u>	 <u>\$285,098</u>
 <b>LIABILITIES</b>			
Due to other governments .....	\$ 7,483	\$119,741	\$285,098
Trusts payable .....	<u>16,002</u>	_____	_____
 TOTAL LIABILITIES	 <u>\$ 23,485</u>	 <u>\$119,741</u>	 <u>\$285,098</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
\$ 90,571	\$ 4,352	\$ 34,801	\$ 2,413	\$208,075	\$336,368
					20,229
<u>6,678,225</u>	<u>306,112</u>	<u>2,709,833</u>	<u>150,244</u>	<u>          </u>	<u>          </u>
<u>\$6,768,796</u>	<u>\$310,464</u>	<u>\$2,744,634</u>	<u>\$152,657</u>	<u>\$208,075</u>	<u>\$356,597</u>
 \$6,768,796	 \$310,464	 \$2,744,634	 \$152,657	 \$208,075	 \$356,597
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>\$6,768,796</u>	<u>\$310,464</u>	<u>\$2,744,634</u>	<u>\$152,657</u>	<u>\$208,075</u>	<u>\$356,597</u>

EMMET COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued  
AGENCY FUNDS  
JUNE 30, 2009

Schedule 3

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and pooled investments:			
County Treasurer .....	\$ 53,055	\$ 49,059	\$ 840,706
Other County officials .....			23,485
Accounts receivable .....			20,229
Property tax receivable:			
Succeeding year .....	<u>          </u>	<u>1,180</u>	<u>10,188,421</u>
 TOTAL ASSETS	 <u>\$ 53,055</u>	 <u>\$ 50,239</u>	 <u>\$11,072,841</u>
 <b>LIABILITIES</b>			
Due to other governments .....	\$ 53,055	\$ 50,239	\$11,056,839
Trusts payable .....	<u>          </u>	<u>          </u>	<u>16,002</u>
 TOTAL LIABILITIES	 <u>\$ 53,055</u>	 <u>\$ 50,239</u>	 <u>\$11,072,841</u>



EMMET COUNTY  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
BALANCE - BEGINNING OF YEAR .....	\$ <u>22,401</u>	\$ <u>112,144</u>	\$ <u>297,481</u>
ADDITIONS:			
Property and other County tax .....		114,247	216,401
911 surcharge .....			
State tax credits .....		6,385	14,226
Office fees and collections .....	303,870		10,406
Auto licenses, use tax, and postage .....			
Trusts .....	101,828		
Miscellaneous .....			
TOTAL ADDITIONS	<u>405,698</u>	<u>120,632</u>	<u>241,033</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds .....	121,313		
To other governments .....	180,822	113,035	253,416
Trusts paid out .....	102,479		
Miscellaneous .....			
TOTAL DEDUCTIONS	<u>404,614</u>	<u>113,035</u>	<u>253,416</u>
BALANCE - END OF YEAR	<u>\$ 23,485</u>	<u>\$ 119,741</u>	<u>\$ 285,098</u>

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
<u>\$5,968,182</u>	<u>\$283,557</u>	<u>\$2,797,121</u>	<u>\$147,616</u>	<u>\$ 179,684</u>	<u>\$294,343</u>
6,509,463	296,571	2,568,374	145,969		166,699
343,186	16,144	150,133	8,047		
				2,290,204	
<u>6,852,649</u>	<u>312,715</u>	<u>2,718,507</u>	<u>154,016</u>	<u>2,290,204</u>	<u>166,699</u>
6,052,035	285,808	2,770,994	148,975	97,489 2,164,324	104,445
<u>6,052,035</u>	<u>285,808</u>	<u>2,770,994</u>	<u>148,975</u>	<u>2,261,813</u>	<u>104,445</u>
<u>\$6,768,796</u>	<u>\$310,464</u>	<u>\$2,744,634</u>	<u>\$152,657</u>	<u>\$ 208,075</u>	<u>\$356,597</u>

EMMET COUNTY Schedule 4  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 Continued  
 AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2009

	<u>Agency Funds</u>		
	<u>Empowerment Fund</u>	<u>Other</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR .....	<u>\$ 66,881</u>	<u>\$ 41,628</u>	<u>\$10,211,038</u>
ADDITIONS:			
Property and other County tax .....		69,781	9,920,806
911 surcharge .....			166,699
State tax credits .....		19,357	557,478
Office fees and collections .....		1,799	316,075
Auto licenses, use tax, and postage .....			2,290,204
Trusts .....			101,828
Miscellaneous .....	<u>249,363</u>	<u>150,817</u>	<u>400,180</u>
TOTAL ADDITIONS	<u>249,363</u>	<u>241,754</u>	<u>13,753,270</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds .....			218,802
To other governments .....		233,143	12,306,997
Trusts paid out .....			102,479
Miscellaneous .....	<u>263,189</u>		<u>263,189</u>
TOTAL DEDUCTIONS	<u>263,189</u>	<u>233,143</u>	<u>12,891,467</u>
 BALANCE - END OF YEAR	 <u>\$ 53,055</u>	 <u>\$ 50,239</u>	 <u>\$11,072,841</u>

EMMET COUNTY  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>				
Property and other County tax .....	\$3,679,884	\$3,517,727	\$3,476,195	\$3,236,692
Interest and penalty on property tax ...	25,894	25,731	26,047	23,407
Intergovernmental .....	3,259,908	2,960,182	3,148,746	2,941,424
Licenses and permits .....	9,192	23,820	5,576	2,550
Charges for service .....	308,701	285,189	280,508	295,572
Use of money and property .....	75,500	163,614	198,360	181,621
Miscellaneous .....	<u>242,751</u>	<u>359,884</u>	<u>830,317</u>	<u>308,149</u>
<b>TOTAL</b>	<u><b>\$7,601,830</b></u>	<u><b>\$7,336,147</b></u>	<u><b>\$7,965,749</b></u>	<u><b>\$6,989,415</b></u>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services .....	\$1,383,851	\$1,355,444	\$1,277,329	\$1,151,903
Physical health and social services .	636,458	596,304	562,101	551,087
Mental health .....	1,489,962	1,592,167	1,677,114	1,626,628
County environment and education .	475,048	700,867	621,669	390,450
Roads and transportation .....	2,535,537	2,119,781	2,051,865	2,173,602
Governmental services to residents	362,959	345,869	331,946	437,783
Administration .....	850,528	895,731	787,935	745,244
Nonprogram .....			24,095	
Debt service .....				17,500
Capital projects .....	<u>69,980</u>	<u>416,104</u>	<u>32,812</u>	<u>455,687</u>
<b>TOTAL</b>	<u><b>\$7,804,323</b></u>	<u><b>\$8,022,267</b></u>	<u><b>\$7,366,866</b></u>	<u><b>\$7,549,884</b></u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Emmet County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Emmet County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emmet County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency and another deficiency in internal control we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Emmet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit the County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Emmet County and other parties to whom Emmet County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Emmet County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Winder, Steve R. LHP". The signature is written in a cursive, flowing style.

January 11, 2010

EMMET COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

**Part I: Findings Related to the Financial Statements**

**Significant Deficiencies:**

- I-A-09 Segregation of Duties - One significant aspect of internal accounting control is the adequate segregation of duties among employees in order to minimize an individual employee or official from handling duties which are incompatible. The segregation of duties helps to prevent losses from unintentional employee errors or dishonesty and improves the reliability and accuracy of the County's financial statements. We noted that in each of the offices of County officials there were several accounting functions that were being performed by the same person.

Recommendation - We recognize that with a limited number of office employees segregation of duties is difficult. However, accounting controls may be improved by having certain procedures performed by only one person for a given period of time and then rotating the responsibilities for a control function sometime during the year. In some instances, the County official should consider delegating certain responsibilities to deputies and provide the main supervision and review function themselves. In all instances where it is not possible to segregate duties, it is important to increase the review of that work by supervisory personnel.

Response - We will continue to segregate duties the best we can with the limited number of personnel we have.

Conclusion - Response accepted.

- I-B-09 Sheriff's Office Accounts - During our audit, we noted the Sheriff's office maintains separate financial institution accounts for drug investigations, DARE, canine, and posse. These accounts are maintained and controlled by the Sheriff but have minimal activity. In addition, the activity in these accounts is not reported to or approved by the Board of Supervisors.

Recommendation - We recommend these four accounts be closed and remitted to the County Treasurer to maintain on behalf of the Sheriff's Office.

Response - We will discuss with the County Sheriff closing these accounts and remitting the funds to the County Treasurer. If not done, we will ask that activity in these accounts be reported to the Board of Supervisors for approval.

Conclusion - Response accepted.

EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting**

II-A-09 Certified Budget - Disbursements for the year ended June 30, 2009 did not exceed the amounts budgeted.

II-B-09 Questionable Expenditures - No expenditures that we believe may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Elaine Kaltved, spouse of employee Dave Kaltved, independent contractor	Election worker	\$ 147
Mike Martens, Deputy Sheriff, Owner of M & M Accessories	Services	\$ 1,085
Dave Snyder, spouse of employee Sue Snyder, independent contractor	Repairs	\$ 203
Garry Stepanek, part-time janitor independent contractor	Repairs	\$ 460
Jim Anderson, spouse of employee Colleen Anderson, independent contractor	Snow removal	\$ 550
Richard Blinkman, secondary roads employee, independent contractor	Repairs	\$ 512

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

II-E-09 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

II-F-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.



EMMET COUNTY  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting** - Continued

II-G-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted. However, the investment policy was last reviewed in September 2003 and therefore has not been reviewed in the last four years as stipulated in the policy.

II-H-09 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-09 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the government-wide financial statements.

Disbursements during the year ended June 30, 2009 for the County extension office did not exceed the amount budgeted.